

VILLAGE OF CONSTANTINE  
ST. JOSEPH COUNTY, MICHIGAN

AUDIT REPORT

FOR THE YEAR ENDED MARCH 31, 2008

# Auditing Procedures Report

Instructions and MuniCodes

\*=Required Fields



Issued under Public Act 2 of 1968, as amended. (V1.07)

Unit Name* VILLAGE OF CONSTANTINE	County* ST. JOSEPH	Type* VILLAGE	MuniCode* 75-3-040
Opinion Date-Use Calendar* Nov 21, 2008	Audit Submitted-Use Calendar* Dec 16, 2008	Fiscal Year End Month* 03	Fiscal Year* 2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

<input checked="" type="checkbox"/> ?	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/> ?	
<input checked="" type="checkbox"/> ?	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/> ?	
<input checked="" type="checkbox"/> ?	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/> ?	
<input checked="" type="checkbox"/> ?	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/> ?	
<input checked="" type="checkbox"/> ?	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/>	
<input checked="" type="checkbox"/> ?	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/> ?	
<input checked="" type="checkbox"/> ?	13. Is the audit opinion unqualified? 14. If not, what type of opinion is it? NA
<input checked="" type="checkbox"/>	
<input checked="" type="checkbox"/> ?	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/> ?	
<input checked="" type="checkbox"/> ?	18. Are there reported deficiencies? <input checked="" type="checkbox"/> 19. If so, was it attached to the audit report?

General Fund Revenue:	<input type="checkbox"/> ? \$ 984,150.00
General Fund Expenditure:	<input type="checkbox"/> ? \$ 968,636.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	<input type="checkbox"/> ? \$ 290,374.00
Governmental Activities Long-Term Debt (see instructions):	<input type="checkbox"/> ? \$ 2,690,000.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)* RICKY	Last Name* STRAWSER	Ten Digit License Number* 1101016951		
CPA Street Address* 123 N MAIN ST	City* THREE RIVERS	State* MI	Zip Code* 49093	Telephone* +1 (269) 273-8641
CPA Firm Name* NORMAN & PAULSEN PC	Unit's Street Address* 115 WHITE PIGEON ST	Unit's City* CONSTANTINE	Unit's Zip* 49042	

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## INDEPENDENT AUDITOR'S REPORT

### **Norman & Paulsen, P.C.**

*Certified Public Accountants*

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Members of the Village Council  
Village of Constantine,  
St. Joseph County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the component unit, each major fund, and the aggregate remaining fund information of the Village of Constantine, St. Joseph County, Michigan as of and for the year ended March 31, 2008, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the component unit, each major fund, and the aggregate remaining fund information of the Village of Constantine, Michigan as of March 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information beginning on page iii through viii and 26 through 28, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Donald L. Paulsen, CPA  
Patrick J. Monahan, CPA  
Bruce S. A. Gosling, CPA  
Michael R. Wilson, CPA  
Rick L. Strawser, CPA  
Jerrel T. Norman (1941-1982)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Constantine's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Norman & Paulsen*

Norman & Paulsen, P.C.

November 21, 2008  
Three Rivers, Michigan

Village of Constantine  
Management's Discussion and Analysis  
March 31, 2008

As management of the Village of Constantine, we offer readers of the Village of Constantine financial statements this narrative overview and analysis of the financial activities of the Village of Constantine for the fiscal year ended March 31, 2008.

**Financial Highlights**

- The assets of the Village of Constantine exceeded its liabilities at March 31, 2008, by \$5,963,506. Of this amount, unrestricted net assets of \$1,876,110 may be used to meet the government's ongoing obligations to citizens and creditors.
- Total net assets increased by \$27,238. Of this amount, \$180,494 was associated with governmental activities whereas, business – type activities resulted in a decrease of net assets by \$153,256.
- As of the close of the current fiscal year, the Village of Constantine's governmental funds reported ending fund balances of \$1,203,567. Of this amount, \$281,242 is unreserved and available for spending.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$206,780 or 21.35 % of total General Fund expenditures.
- The Village of Constantine's total long-term debt obligations is \$2,690,000. This is a decrease of \$145,000 from the prior year.

**Overview of Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Village of Constantine's basic financial statements. The Village of Constantine's basic financial statements are comprised of 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**(1) Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the Village of Constantine's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all the Village assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

## (2) Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the Village of Constantine can be divided into two categories: (a) governmental funds and (b) proprietary funds.

### (2a) Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

Because the focus on governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between the two.

The Village maintains eleven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, major street fund, local street fund, and the debt-service sewer 1997 fund. Data from the seven other funds are combined into a single, aggregated presentation within the above named statements. Individual fund data for each of the nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The Village of Constantine adopts a one-year budget for all funds. A budgetary comparison statement has been provided for the general fund, major street fund and local street fund to demonstrate compliance for the fiscal year end of March 31, 2008.

**(2b) Proprietary Funds**

The Village of Constantine maintains two different types of proprietary funds: enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Village maintains two individual enterprise funds. Information is presented separately in the proprietary statement of net assets and proprietary statement of revenues, expenses and changes in fund net assets for the Sewer Operation and Maintenance Fund and Water Fund, which are considered to be major funds. Internal service funds are used to accumulate and allocate costs internally among the Village's various functions. The Village of Constantine uses an internal service fund to account for its fleet purchases and maintenance.

**(3) Component Unit Financial Statements**

The Village's financial statements include financial data of the Downtown Development Authority. The component unit is described in the notes to the financial statements. The component unit is a separate entity and may buy, sell, lease and mortgage property in its own name.

**(4) Notes to Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. They are found on pages 14 – 25.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain other required supplementary information on pages 26 - 28. This section includes budgetary comparisons for all major governmental funds. The combining statements referred to earlier in connection with the nonmajor governmental funds are presented immediately following the required supplementary information on pages 29 – 30.



VILLAGE OF CONSTANTINE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
MARCH 31, 2008

**Governmental-Wide Financial Analysis**

As noted earlier, over time net assets may serve as a useful indicator of a government's financial position. At March 31, 2008, the Village's assets exceeded liabilities by \$5,963,506. The Village's investment in capital assets, less any related outstanding debt used to acquire those assets, reflects by far the largest portion of the Village's net assets (54.48%). Capital assets are used to provide services to citizens and they are not available for future spending. It should be noted that the resources needed to repay the remaining debt of capital assets must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Village of Constantine's Net Assets**

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
<b>Assets</b>						
Current and other assets	\$1,835,394	\$1,767,316	\$1,169,275	\$1,230,251	\$3,004,669	\$2,997,567
Capital assets	<u>4,872,510</u>	<u>4,929,123</u>	<u>1,058,566</u>	<u>1,124,524</u>	<u>5,931,076</u>	<u>6,053,647</u>
Total assets	<u>\$6,707,904</u>	<u>\$6,696,439</u>	<u>\$2,227,841</u>	<u>\$2,354,775</u>	<u>\$8,935,745</u>	<u>\$9,051,214</u>
<b>Liabilities</b>						
Current liabilities	\$ 339,589	\$ 348,618	\$102,650	\$ 76,328	\$ 442,239	\$ 424,946
Long-term liabilities	<u>2,530,000</u>	<u>2,690,000</u>	<u>-</u>	<u>-</u>	<u>2,530,000</u>	<u>2,690,000</u>
Total Liabilities	<u>\$2,869,589</u>	<u>\$3,038,618</u>	<u>\$ 102,650</u>	<u>\$ 76,328</u>	<u>\$2,972,239</u>	<u>\$3,114,946</u>
<b>Net Assets</b>						
Invested in Capital Assets.						
Net of Related Debt	\$2,182,510	\$2,094,123	\$1,066,155	\$1,130,427	\$3,248,665	\$3,224,550
Restricted	838,731	825,990	-	-	838,731	825,990
Unrestricted	<u>817,074</u>	<u>737,708</u>	<u>1,059,036</u>	<u>1,148,020</u>	<u>1,876,110</u>	<u>1,885,728</u>
Total Net Assets	<u>\$3,838,315</u>	<u>\$3,657,821</u>	<u>\$2,125,191</u>	<u>\$2,278,447</u>	<u>\$5,963,506</u>	<u>\$5,936,268</u>

The unrestricted balance of net assets, \$1,876,110 may be used to meet the Village's on going obligations to citizens and creditors.

VILLAGE OF CONSTANTINE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
MARCH 31, 2008

**Analysis of the Village's Operations**

The following table provides a summary of the Village's operations for the years ended March 31, 2008 and 2007, respectively.

**Village of Constantine's Changes in Net Assets**

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 62,495	\$ 102,084	\$ 740,465	\$ 824,986	\$ 802,960	\$ 927,070
Capital grants and Contributions	105,000	360,000	-	-	105,000	360,000
General revenues:						
Property taxes	1,185,503	1,100,863	-	-	1,185,503	1,100,863
State revenue-sharing	158,230	167,407	-	-	158,230	167,407
Licenses and permits	10,871	10,661	-	-	10,871	10,661
Interest	69,959	82,210	38,505	39,484	108,464	121,694
Other	<u>61,053</u>	<u>42,534</u>	<u>-</u>	<u>-</u>	<u>61,053</u>	<u>42,534</u>
Total Revenues	\$1,653,111	1,865,759	778,970	864,470	2,432,081	2,730,229
<b>Expenses:</b>						
General government	307,603	308,337	-	-	307,603	308,337
Public safety	544,642	545,515	-	-	544,642	545,515
Public works	338,457	327,280	932,226	805,413	1,270,683	1,132,693
Interest on long-term debt	140,478	146,583	-	-	140,478	146,583
Depreciation - unallocated	<u>141,437</u>	<u>123,130</u>	<u>-</u>	<u>-</u>	<u>141,437</u>	<u>123,130</u>
Total Expenses	<u>1,472,617</u>	<u>1,450,845</u>	<u>932,226</u>	<u>805,413</u>	<u>2,404,843</u>	<u>2,256,258</u>
Increase/Decrease in net assets	180,494	414,914	(153,256)	59,057	27,238	473,971
Net Assets - Beginning of Year	<u>3,657,821</u>	<u>3,242,907</u>	<u>2,278,447</u>	<u>2,219,390</u>	<u>5,936,268</u>	<u>5,462,297</u>
Net Assets - End of Year	<u>\$3,838,315</u>	<u>\$3,657,821</u>	<u>\$2,125,191</u>	<u>\$2,278,447</u>	<u>\$5,963,506</u>	<u>\$5,936,268</u>

### **Governmental Activities**

Governmental activities increased the Village's net assets by \$180,494. Key elements of this increase are as follows:

1. Award of \$105,000 federal grant for road repairs.
2. Property tax receipts increased by approximately \$85,000.

### **Business-type Activities**

Business-type activities decreased the Village's net assets by \$153,256. This decrease was primarily due to:

1. Industrial pre-treatment revenues decreased significantly lowering sewer revenues.
2. Groundwater infiltration increased sewer charges by Three Rivers Wastewater Treatment Plant.

### **Financial Analysis of the Government's Funds**

As noted earlier, the Village of Constantine uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

### **Government Funds**

The purpose of the Village's governmental fund financial statements is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Village's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the Village's chief operating fund. At the end of the current fiscal year, unreserved fund balance of the general fund was \$206,780 while the total fund balance was \$290,374.

As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 21.35% of total General Fund expenditures, while total fund balance represents 29.98% of that same amount.

### **Proprietary Funds**

The Village's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Sewer Operation/Maintenance Fund and the Water Fund at the end of the year were \$920,280 and \$140,105, respectively. The Sewer Fund showed a decrease in net assets of \$147,581 while the Water Fund showed a decrease of \$9,261.

The decrease in net assets as discussed above under Business Type Assets was primarily due to the increase in operational costs due to groundwater infiltration and the loss of pre-treatment revenues from key customers who are now doing that themselves.

### **General Fund Budgetary Highlights**

The original General Fund budget for revenues was not amended but the original budget for expenditures was amended.

Actual revenues were \$81,742 more than budgeted. The following revenues were in excess of (less than) budget:

Property taxes	\$27,020
Charges for services	(11,883)
Fines and forfeitures	4,721
State grant – park dock	10,270
Contributions – park dock	4,570
Insurance reimbursement, audit refunds	12,989
Transfers from other funds	17,320
Interest income	11,852

Actual expenses were \$3,810 less than budgeted. As shown on the Budgetary Comparison on page 26 of the financial statements some of the different departments incurred less expenditure than budgeted while other departments incurred more expenditures than budgeted for a net favorable position.

### **Capital Assets and Debt Administration**

The Village's investment in capital assets for its governmental and business-type activities at March 31, 2008 amounts to \$5,931,076. The investment in capital assets includes sewer system improvements and equipment within the Village.

During the current fiscal year the Village invested \$23,171 in land and building improvements, \$170,641 in infrastructure improvements and \$27,896 in office and general equipment. Additional information on the Village's capital assets can be found in Notes 1 and 5 on pages 16 – 17, 21 – 23.

VILLAGE OF CONSTANTINE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
MARCH 31, 2008

**Long-term Debt**

At the end of the 2007/2008 fiscal year, the Village had \$2,690,000 in outstanding general obligation bonds, secured by specific revenue sources. These bonds relate to improvements to the water and sewer operations.

**Economic Factors and Next Year's Budgets and Rates**

The Village of Constantine Council has shown fiscal responsibility in its planning for budget and spending practices. The Village has completed four years of strategic planning with plans for continuation into future years. Additionally, the Council monitored and responded to continuing concerns over potential State Revenue Sharing cuts. Monthly reports of bills for the previous month are submitted to Council for their approval, additionally, a quarterly financial budget report is provided to Council. Budgets for the March 31, 2009 fiscal year were prepared based on the following assumptions:

State revenues will **remain** the same as the prior year.

We anticipate reduced sewer operation costs resulting from cured-in-place lining to reduce groundwater infiltration.

**Requests for Information**

This financial report is designed to provide a general overview of the Village of Constantine's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or for additional financial information should be addressed to:

Village of Constantine,  
115 White Pigeon St.  
Constantine, Michigan 49042.

**VILLAGE OF CONSTANTINE, ST. JOSEPH COUNTY, MICHIGAN**

**STATEMENT OF NET ASSETS  
MARCH 31, 2008**

	Primary Government			Component Units
	Governmental Activities	Business -Type Activities	Total	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 186,367	\$ 991,076	\$ 1,177,443	\$ 7,692
Investments	702,324	46,571	748,895	-
Receivables (net)	63,631	114,719	178,350	-
Receivables from other governments	33,405	-	33,405	-
Inventories	-	10,827	10,827	-
Prepaid expenses	33,279	6,082	39,361	-
Assets restricted by bond indentures	816,388	-	816,388	-
Capital assets - net	4,872,510	1,058,566	5,931,076	96,743
<b>Total Assets</b>	<b>\$ 6,707,904</b>	<b>\$ 2,227,841</b>	<b>\$ 8,935,745</b>	<b>\$ 104,435</b>
<b>LIABILITIES</b>				
Cash overdrafts	\$ 122,085	\$ -	\$ 122,085	\$ -
Accounts payable	8,113	59,252	67,365	-
Accrued payroll and other liabilities	35,181	21,075	56,256	-
Customer security deposits	-	22,323	22,323	1,564
Due to other governments	5,760	-	5,760	-
Deferred revenue - trees	8,450	-	8,450	-
Noncurrent liabilities				
Due within one year	160,000	-	160,000	3,980
Due in more than one year	2,530,000	-	2,530,000	107,989
<b>Total Liabilities</b>	<b>\$ 2,869,589</b>	<b>\$ 102,650</b>	<b>\$ 2,972,239</b>	<b>\$ 113,533</b>
<b>NET ASSETS</b>				
Invested in capital assets				
Net of related debt	\$ 2,182,510	\$ 1,066,155	\$ 3,248,665	\$ (15,226)
Restricted for				
Debt service	838,731	-	838,731	-
Unrestricted	817,074	1,059,036	1,876,110	6,128
<b>Total Net Assets</b>	<b>\$ 3,838,315</b>	<b>\$ 2,125,191</b>	<b>\$ 5,963,506</b>	<b>\$ (9,098)</b>

See accompanying notes to financial statements

VILLAGE OF CONSTANTINE, ST. JOSEPH COUNTY, MICHIGAN

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED MARCH 31, 2008

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Capital Grants and Contributions
<b>Primary Government</b>			
General government	\$ 303,103	\$ -	\$ -
Public safety	544,642	62,495	-
Public works	338,457	-	105,000
Contribution to component unit	4,500	-	-
Interest on long-term debt	139,378	-	-
Bond agent fees	1,100	-	-
Depreciation - unallocated	141,437	-	-
<b>Total Governmental Activities</b>	<b>1,472,617</b>	<b>62,495</b>	<b>105,000</b>
<b>Business - Type Activities</b>			
Water and Sewer	932,226	740,465	-
<b>Total Primary Government</b>	<b>\$ 2,404,843</b>	<b>\$ 802,960</b>	<b>\$ 105,000</b>
<b>Component unit:</b>			
Downtown Development Authority	\$ 20,239	\$ -	\$ -

**General Revenues**

Property Taxes  
State-Shared Revenues  
Licenses and Permits  
Unrestricted Investment Earnings  
Gain/loss on disposal of capital assets  
Miscellaneous  
Contributions

Total General Revenues

Change in Net Assets

Net Assets - Beginning of Year

Net Assets - End of Year

See accompanying notes to financial statements

Net (Expense) Revenue and Changes in Net Assets

Primary Government

Governmental Activities	Business -Type Activities	Total	Component Units
\$ (303,103)	\$ -	\$ (303,103)	\$ -
(482,147)	-	(482,147)	-
(233,457)	-	(233,457)	-
(4,500)	-	(4,500)	-
(139,378)	-	(139,378)	-
(1,100)	-	(1,100)	-
(141,437)	-	(141,437)	-
(1,305,122)	-	(1,305,122)	-
-	(191,761)	(191,761)	-
<u>\$ (1,305,122)</u>	<u>\$ (191,761)</u>	<u>\$ (1,496,883)</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (20,239)</u>
1,185,503	-	1,185,503	-
158,230	-	158,230	-
10,871	-	10,871	-
69,959	38,505	108,464	13,501
(1,231)	-	(1,231)	-
55,430	-	55,430	1,828
6,854	-	6,854	4,500
1,485,616	38,505	1,524,121	19,829
180,494	(153,256)	27,238	(410)
3,657,821	2,278,447	5,936,268	(8,688)
<u>\$ 3,838,315</u>	<u>\$ 2,125,191</u>	<u>\$ 5,963,506</u>	<u>\$ (9,098)</u>



**VILLAGE OF CONSTANTINE, ST. JOSEPH COUNTY, MICHIGAN**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
MARCH 31, 2008**

	General Fund	Major Street Fund	Local Street Fund	Debt-Service Sewer 1997 Fund
<b>ASSETS</b>				
Cash and cash equivalents	\$ 250	\$ 29,736	\$ -	\$ -
Investments	456,185	-	-	-
Receivables (net)	24,567	10,600	17,294	4,392
Receivables from other governments	5,888	20,069	7,448	-
Due from other funds	3,785	-	-	5,913
Prepaid expenses	22,427	-	381	-
Restricted cash and cash equivalents	-	-	-	682,033
<b>Total Assets</b>	<b>\$ 513,102</b>	<b>\$ 60,405</b>	<b>\$ 25,123</b>	<b>\$ 692,338</b>
<b>LIABILITIES</b>				
Cash overdraft	\$ 109,898	\$ -	\$ 12,187	\$ -
Accounts payable	4,095	-	-	-
Other accrued liabilities	29,025	1,719	1,481	-
Due to other governments	5,760	-	-	-
Due to other funds	65,500	-	-	29,651
Deferred revenues - trees	8,450	-	-	-
<b>Total Liabilities</b>	<b>\$ 222,728</b>	<b>\$ 1,719</b>	<b>\$ 13,668</b>	<b>\$ 29,651</b>
<b>FUND BALANCES</b>				
Reserved for				
Fire truck	\$ 83,594	\$ -	\$ -	\$ -
Debt service - 1997 sewer	-	-	-	662,687
Debt service - 1997 water system	-	-	-	-
Debt service - 2001 sewer	-	-	-	-
	83,594	-	-	662,687
Unrestricted	206,780	58,686	11,455	-
<b>Total Fund Balances</b>	<b>290,374</b>	<b>58,686</b>	<b>11,455</b>	<b>662,687</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 513,102</b>	<b>\$ 60,405</b>	<b>\$ 25,123</b>	<b>\$ 692,338</b>

See accompanying notes to financial statements

Nonmajor Governmental Funds	Total Governmental Funds
\$ 4,321	34,307
-	456,185
6,236	63,089
-	33,405
38,185	47,883
-	22,808
134,355	816,388
<u>\$ 183,097</u>	<u>\$ 1,474,065</u>
\$ -	\$ 122,085
-	4,095
-	32,225
-	5,760
2,732	97,883
-	8,450
<u>\$ 2,732</u>	<u>\$ 270,498</u>
\$ -	\$ 83,594
-	662,687
109,692	109,692
66,352	66,352
176,044	922,325
4,321	281,242
180,365	1,203,567
<u>\$ 183,097</u>	<u>\$ 1,474,065</u>

VILLAGE OF CONSTANTINE, ST. JOSEPH COUNTY, MICHIGAN

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET ASSETS  
OF GOVERNMENTAL ACTIVITIES

MARCH 31, 2008

Total governmental fund balances \$ 1,203,567

Amounts reported for governmental activities in the statement of net assets  
are different because:

Capital assets used in governmental activities are not financial resources and  
are not reported in the funds.

Cost of capital assets	7,192,844	
Less accumulated depreciation	<u>(2,453,624)</u>	4,739,220

Internal service funds are used to charge the costs of certain activities  
such as rental of equipment to individual funds. The assets and  
liabilities of the internal service funds are included in governmental  
activities in the statement of net assets, net of \$1,349 allocated  
against business-type activities.

585,528

Long-term liabilities are not due and payable in the  
current period and not reported in the funds.

(2,690,000)

Net Assets of Governmental Activities

\$ 3,838,315

See accompanying notes to financial statements

**VILLAGE OF CONSTANTINE, ST. JOSEPH COUNTY, MICHIGAN**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED MARCH 31, 2008**

	General Fund	Major Street Fund	Local Street Fund	Debt-Service Sewer 1997 Fund
<b>Revenues</b>				
Taxes and Penalties	\$ 835,798	\$ 32,605	\$ 53,197	\$ 94,887
Licenses and Permits	10,871	-	-	-
Federal Grants	-	105,000	-	-
State Grants	1,951	114,071	42,208	-
Contributions	6,854	-	-	-
Charges for Services	46,274	-	-	-
Fines and Forfeits	16,221	-	-	-
Interest	19,352	1,515	487	26,110
Other Revenue	46,829	-	-	-
<b>Total Revenues</b>	<b>984,150</b>	<b>253,191</b>	<b>95,892</b>	<b>120,997</b>
<b>Expenditures</b>				
Current				
General Government	255,044	19,259	17,245	-
Public Safety	506,724	-	-	-
Public Works	159,853	77,586	76,044	-
Contribution to Component Unit	4,500	-	-	-
Capital Outlay	42,515	155,983	14,658	-
Debt Service				
Paying agent fees	-	-	-	500
Bond principal	-	-	-	80,000
Bond interest	-	-	-	50,745
<b>Total Expenditures</b>	<b>968,636</b>	<b>252,828</b>	<b>107,947</b>	<b>131,245</b>
<b>Excess (deficiency) of Revenues Over Expenditures</b>	<b>15,514</b>	<b>363</b>	<b>(12,055)</b>	<b>(10,248)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	40,820	-	-	-
Transfers (Out)	(13,000)	-	-	-
<b>Total Other Financing Sources(Uses)</b>	<b>27,820</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses</b>	<b>43,334</b>	<b>363</b>	<b>(12,055)</b>	<b>(10,248)</b>
<b>Fund Balance - April 1, 2007</b>	<b>247,040</b>	<b>58,323</b>	<b>23,510</b>	<b>672,935</b>
<b>Fund Balance - March 31, 2008</b>	<b>\$ 290,374</b>	<b>\$ 58,686</b>	<b>\$ 11,455</b>	<b>\$ 662,687</b>

See accompanying notes to financial statements

Nonmajor Governmental Funds	Total Governmental Funds
\$ 169,016	\$ 1,185,503
-	10,871
-	105,000
-	158,230
-	6,854
-	46,274
-	16,221
8,218	55,682
8,601	55,430
185,835	1,640,065
11,555	303,103
-	506,724
-	313,483
-	4,500
2,339	215,495
600	1,100
65,000	145,000
88,633	139,378
168,127	1,628,783
17,708	11,282
5,500	46,320
(40,820)	(53,820)
(35,320)	(7,500)
(17,612)	3,782
197,977	1,199,785
\$ 180,365	\$ 1,203,567

VILLAGE OF CONSTANTINE, ST. JOSEPH COUNTY, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED MARCH 31, 2008

Net Change in Fund Balances - Total Governmental Funds	\$	3,782
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Amounts reported for governmental activities in the statement of activities  
are different because:

Governmental funds report capital outlays as expenditures; in the  
statement of activities these costs are allocated over their estimated  
useful lives as depreciation.

Depreciation expense	(245,841)	
Cost of capital outlay	<u>215,495</u>	(30,346)

In the statement of activities, any gain or loss on the sale/disposal  
of assets is reported, whereas in the government funds, any  
proceeds received increases financial resources. Thus, the change  
in net assets differs from the change in fund balance by the net book  
value of the assets disposed of.

(57)

Repayments of bond principal is an expenditure in the  
governmental funds, but not in the statement of activities  
where it reduces long-term debt.

145,000

Internal service funds are used to charge the rental of certain  
equipment to individual funds. The net revenue of the internal  
service funds are shown with governmental activities except for  
\$1,349 allocated to business-type activities.

62,115

**Change in Net Assets of Governmental Activities**

\$ 180,494

See accompanying notes to financial statements

VILLAGE OF CONSTANTINE, ST. JOSEPH COUNTY, MICHIGAN

STATEMENT OF NET ASSETS  
 PROPRIETARY FUNDS  
 MARCH 31, 2008

	Business - Type Activities Enterprise Funds			Governmental Activities - Internal Service Fund
	Sewer Fund	Water Fund	Totals	
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 904,303	\$ 86,773	\$ 991,076	\$ 152,060
Investments	-	46,571	46,571	246,139
Receivables - net	90,390	24,329	114,719	542
Due from other funds	-	-	-	50,000
Inventories	-	10,827	10,827	-
Prepaid insurance	3,801	2,281	6,082	9,122
Total current assets	998,494	170,781	1,169,275	457,863
Noncurrent assets				
Capital assets	851,704	206,862	1,058,566	133,290
Total Assets	<u>\$ 1,850,198</u>	<u>\$ 377,643</u>	<u>\$ 2,227,841</u>	<u>\$ 591,153</u>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	\$ 57,903	\$ -	\$ 57,903	\$ 4,018
Accrued payroll and other liabilities	12,722	8,353	21,075	2,956
Customer security deposits	-	22,323	22,323	-
Total current liabilities	70,625	30,676	101,301	6,974
Total Liabilities	<u>\$ 70,625</u>	<u>\$ 30,676</u>	<u>\$ 101,301</u>	<u>\$ 6,974</u>

See accompanying notes to financial statements

VILLAGE OF CONSTANTINE, ST. JOSEPH COUNTY, MICHIGAN

STATEMENT OF NET ASSETS (CONTINUED)  
 PROPRIETARY FUNDS  
 MARCH 31, 2008

	Business - Type Activities Enterprise Funds			Governmental Activities - Internal Service Fund
	Sewer Fund	Water Fund	Totals	
<b>NET ASSETS</b>				
Invested in capital assets -				
Net of related debt	\$ 859,293	\$ 206,862	\$ 1,066,155	\$ 133,290
Unrestricted	920,280	140,105	1,060,385	450,889
Total Net Assets	<u>\$ 1,779,573</u>	<u>\$ 346,967</u>	2,126,540	<u>\$ 584,179</u>

Reconciliation to the statement of net assets

Internal service funds are used to charge the costs of certain activities, such as equipment rental to individual funds. The assets and liabilities of certain internal service funds are included with business-type activities in the statement of net assets.

(1,349)

Net assets of business-type activities

\$ 2,125,191

See accompanying notes to financial statements



**VILLAGE OF CONSTANTINE, ST. JOSEPH COUNTY, MICHIGAN**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED MARCH 31, 2008**

	<b>Business - Type Activities Enterprise Funds</b>			<b>Governmental Activities - Internal Service Fund</b>
	<b>Sewer Fund</b>	<b>Water Fund</b>	<b>Totals</b>	
Operating revenues				
Metered sales	\$ -	\$ 162,229	\$ 162,229	\$ -
Sewage disposal services	564,196	-	564,196	-
Equipment rentals	-	-	-	144,922
Penalties and interest charges	8,471	2,185	10,656	-
Installation and other charges	820	2,564	3,384	-
Total operating revenues	<u>573,487</u>	<u>166,978</u>	<u>740,465</u>	<u>144,922</u>
Operating expenses				
Personnel services	82,407	89,301	171,708	26,487
Contractual services	583,212	11,572	594,784	980
Utilities	13,127	15,529	28,656	6,206
Repairs and maintenance	11,235	26,264	37,499	8,747
Other supplies and expenses	13,065	22,127	35,192	28,170
Depreciation	51,396	16,577	67,973	29,234
Total operating expenses	<u>754,442</u>	<u>181,370</u>	<u>935,812</u>	<u>99,824</u>
Operating income (loss)	(180,955)	(14,392)	(195,347)	45,098
Nonoperating revenues (expenses)				
Interest revenue	33,374	5,131	38,505	14,277
Loss on capital asset disposal	-	-	-	(1,174)
Total nonoperating revenues	<u>33,374</u>	<u>5,131</u>	<u>38,505</u>	<u>13,103</u>
Income (loss) before contributions and transfers in and (out)	(147,581)	(9,261)	(156,842)	58,201
Transfers in and out	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,500</u>
Change in net assets	(147,581)	(9,261)	(156,842)	65,701
Total net assets - beginning of year	-	-	-	-
Total net assets - end of year	<u>\$ (147,581)</u>	<u>\$ (9,261)</u>	<u>(156,842)</u>	<u>\$ 65,701</u>

Amounts reported for business-type activities in the Government-wide

Statement of Activities are different because:

    Net change in net assets - total business-type funds (156,842)

    Net effect of elimination of internal service fund  
    activities.

Change in net assets of business-type activities \$ (153,256)

See accompanying notes to financial statements

VILLAGE OF CONSTANTINE, ST. JOSEPH COUNTY, MICHIGAN

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED MARCH 31, 2008

	Business - Type Activities Enterprise Funds			Governmental Activities - Internal Service Fund
	Sewer Fund	Water Fund	Totals	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 575,859	\$ 164,774	\$ 740,633	\$ -
Receipts from interfund services	-	-	-	144,922
Payments to suppliers	(596,278)	(68,639)	(664,917)	(40,255)
Payments to employees	(75,993)	(87,639)	(163,632)	(25,174)
Payments for interfund services	(4,716)	(6,807)	(11,523)	-
Other receipts (payments)	-	2,002	2,002	-
Net cash provided (used) by operating activities	(101,128)	3,691	(97,437)	79,493
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Operating subsidies and transfers from (to) other funds	-	-	-	7,500
Net cash provided (used) by noncapital financing activities	-	-	-	7,500
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchases of capital assets	-	(2,016)	(2,016)	(4,198)
Net cash provided (used) by capital and related financing activities	-	(2,016)	(2,016)	(4,198)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of investments	-	(1,998)	(1,998)	(10,542)
Interest and dividends	33,374	5,205	38,579	14,670
Net cash provided by investing activities	33,374	3,207	36,581	4,128
Net increase (decrease) in cash and cash equivalents	(67,754)	4,882	(62,872)	86,923
Balances - beginning of year	972,057	81,891	1,053,948	65,137
Balances - end of year	\$ 904,303	\$ 86,773	\$ 991,076	\$ 152,060

See accompanying notes to financial statements

VILLAGE OF CONSTANTINE, ST. JOSEPH COUNTY, MICHIGAN

STATEMENT OF CASH FLOWS (CONTINUED)  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED MARCH 31, 2008

	Business - Type Activities Enterprise Funds			Governmental Activities - Internal Service Fund
	Sewer Fund	Water Fund	Totals	
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>				
Operating income (loss)	\$ (180,955)	\$ (14,392)	\$ (195,347)	\$ 45,098
Adjustments to reconcile operating income to net cash provided (used) by operating activities				
Depreciation expense	51,396	16,577	67,973	29,234
(Increase) decrease in assets				
Receivables	2,372	(2,204)	168	-
Inventories	-	-	-	-
Prepaid expenses	(235)	96	(139)	388
Increase (decrease) in liabilities				
Accounts payables	19,880	(50)	19,830	3,461
Accrued expenses	6,414	1,662	8,076	1,312
Customer security deposits	-	2,002	2,002	-
Net cash provided by operating activities	<u>\$ (101,128)</u>	<u>\$ 3,691</u>	<u>\$ (97,437)</u>	<u>\$ 79,493</u>

See accompanying notes to financial statements

VILLAGE OF CONSTANTINE, ST. JOSEPH COUNTY, MICHIGAN

STATEMENT OF NET ASSETS  
COMPONENT UNIT  
MARCH 31, 2008

	<u>Downtown Development Authority</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 7,692
Capital assets - net	<u>96,743</u>
Total Assets	<u>\$ 104,435</u>
<b>LIABILITIES</b>	
Customer security deposits	\$ 1,564
Noncurrent liabilities	
Due within one year	3,980
Due in more than one year	<u>107,989</u>
Total Liabilities	<u>\$ 113,533</u>
<b>NET ASSETS</b>	
Invested in capital assets -	
Net of related debt	\$ (15,226)
Unrestricted	<u>6,128</u>
Total Net Assets	<u>\$ (9,098)</u>

See accompanying notes to financial statements

VILLAGE OF CONSTANTINE, ST. JOSEPH COUNTY, MICHIGAN

STATEMENT OF ACTIVITIES  
COMPONENT UNIT  
FOR THE YEAR ENDED MARCH 31, 2008

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for	Operating	Revenue and
		Services	Grants and	Changes in
			Contributions	Net Assets
Downtown Development Authority				Downtown Development Authority
Community and economic development	\$ 12,832	\$ -	\$ -	\$ (12,832)
Interest on long-term debt	7,407	-	-	(7,407)
<b>Total Downtown Development Authority</b>	<b>\$ 20,239</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(20,239)</b>
<b>General Revenues</b>				
Rents				13,467
Unrestricted interest and investment earnings				34
Contribution from General Fund				4,500
Miscellaneous				1,828
Total general revenues				19,829
Change in Net Assets				(410)
Net Assets - Beginning of Year				(8,688)
Net Assets - End of Year				\$ (9,098)

See accompanying notes to financial statements

VILLAGE OF CONSTANTINE, ST. JOSEPH COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008

**NOTE 1    SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Village of Constantine conform to the accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies used by the Village of Constantine:

**A.    Reporting Entity**

An elected 7-member council governs the Village of Constantine. The accompanying financial statements present the government and its component unit, the Downtown Development Authority, which the government is considered to be financially accountable. Although component units are legal separate entities, in substance, they are part of the government's operations. The Downtown Development Authority is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

**B.    Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities that rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the fund financial statements.

**C.    Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

VILLAGE OF CONSTANTINE, ST. JOSEPH COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008

**NOTE 1    SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

One of the revenue types for which receivables are recorded on the governmental fund balance sheet is property taxes. Property tax is levied on each July 1<sup>st</sup> on the taxable valuation of property located in the Village of Constantine as of the preceding December 1<sup>st</sup>.

It is the Village of Constantine's policy to recognize revenue from the current tax levy in the current year with the proceeds of this levy being budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2007 taxable valuation of the Village of Constantine totaled \$66,118,627 on which ad valorem taxes levied consisted of 10.5 mills for the Village of Constantine's operating purposes, 5.25 mills for IFT, and 4.45 mills for debt service, raising \$557,585 for operating, \$68,329 for IFT, \$265,261 for debt service and \$11,696 for special assessments. These amounts are recognized in the respective General, Special Revenue and Debt Service Fund financial statements as taxes receivable – current or as property tax revenue.

The governmental fund financial statements report the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The Major Street Fund accounts for the resources of state gas and weight tax revenues that are restricted for use on major streets, whereas, the Local Street Fund accounts for resources restricted for use on local streets.

The governmental fund financial statements report the following major proprietary funds:

**Water Fund** - The Water Fund accounts for revenues generated from charges for distribution of water to the residential and commercial users of the Village.

**Sewer Fund** - The Sewer Fund accounts for revenues generated from charges for sanitary sewer services provided to the residential and commercial users of the Village.

Additionally, the government reports the following fund type:

**Internal Service Fund** - The Internal Service Fund accounts for major machinery and equipment purchases and maintenance, as well as risk management services provided to other departments of the government on a cost reimbursement basis.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Village has elected to follow private sector standards issued after November 30, 1989 for its business-type activities.

VILLAGE OF CONSTANTINE, ST. JOSEPH COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2008

**NOTE 1    SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Village's water and sewer function and various other functions of the Village. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. The water and sewer funds also recognize the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

**D. Assets, Liabilities, and Net Assets or Equity**

**Bank deposits and investments**-Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

**Receivables and payables**-In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statement as "internal balances."

No allowance for uncollectible accounts has been provided. Management has evaluated the accounts and believes they are all collectible.

Property taxes are levied on each July 1<sup>st</sup> on the taxable valuation of property as of the preceding December 1<sup>st</sup>. Taxes are considered delinquent on September 15<sup>th</sup>, at which time penalties and interest are assessed.

**Inventories and Prepaid Items**-Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

**Restricted Assets**-The revenue bonds of the enterprise funds require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets, as well as amounts on deposit at the county being held for the construction or debt service of the Village's water and sewer lines.

**Capital Assets**-Capital assets, which include property, plant, equipment, infrastructure assets, (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. The government defines capital assets as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of 5 years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.



VILLAGE OF CONSTANTINE, ST. JOSEPH COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2008

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year \$-0- of interest expense was capitalized as part of the cost of assets under construction.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings and improvements	15 – 40 years
Water and sewer lines	50 years
Water and sewer equipment	10 –20 years
Fire hydrants	50 years
Roads	5 – 30 years
Sidewalks	30 years
Vehicles	10 years
Fire trucks/ambulances	10 – 15 years
Fire and police equipment	7 years
Office equipment	7 years
Computer equipment	5 years

**Compensated Absences (Vacation and Sick Leave)**-Employees earn vacation days based on their hiring anniversary date. Depending upon an employee's specific union agreement, unused vacation days may not accumulate from year to year. However, vacation benefits for any given year are 100% vested upon termination if the individual has completed at least one year of service. The Village of Constantine's accrued vacation pay totaled \$32,320 at March 31, 2008. Sick pay is cumulative from year to year up to a maximum of 50 or 65 days with no benefit paid upon termination, depending upon an employee's specific union contract agreement.

**Long-Term Obligations**-In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Fund Equity**-In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Net Assets** - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Village or through external restrictions imposed by creditors, grantors, laws or regulations of other governments. Restricted net assets relates to debt service funds which is imposed by Michigan law.

VILLAGE OF CONSTANTINE, ST. JOSEPH COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Use of Estimates** - The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

**Budgetary Information**-Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end. Public hearings are held to obtain taxpayer comments before the Village Council approves the budgets. The Council must approve any revisions of the budgets.

The budget document presents information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the departmental level.

**Excess of Expenditures Over Appropriations in Budgeted Funds** - During the year, the District incurred expenditures in excess of the amounts appropriated in the following budgeted line items:

Budget Budget item	Appropriation	Actual Expenditure	Excess Expenditure
<u>General Fund:</u>			
Council/Administration	224,014	232,915	8,901
Public works			
Buildings and grounds	154,288	159,853	5,565
Transfers to other funds	500	13,000	12,500
<u>Major Streets</u>			
Snow removal	25,695	32,456	6,761
<u>Local Streets</u>			
Snow removal	24,522	31,524	7,002
Nonmotorized	426	2,150	1,724
Supervision	11,932	17,245	5,313

NOTE 3 DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes local government units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan. The Village of Constantine is authorized to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

VILLAGE OF CONSTANTINE, ST. JOSEPH COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

The Village of Constantine Board has designated two banks for the deposit of the Village's funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government, bank accounts and certificates of deposit, but not the remainder of State statutory authority as listed above.

The Village has adopted Governmental Accounting Standard Board Statement (GASBS) No.40 – Deposit and Investment Risk Disclosures. GASB No. 40 defines deposits as monies in banks, savings and loan associations, and credit unions. The Village holds the following types of deposits:

- a. Checking Accounts and Demand Deposits.
- b. Savings Accounts and Time Deposits.

GASB No. 40 defines investments as, a security or other assets acquired primarily for the purpose of obtaining income or profit. These are not monies held with financial institutions and insured by Federal Depository Insurance. The following holdings of the Village meet the definition of investments:

- a. U.S. Government Securities.
- b. Repurchase agreements involving U.S. Government Securities.
- c. External investment pools that invest in U.S. Government Securities.

At fiscal year-end, the Village of Constantine's basic financial statements report deposits and investments in the following categories:

	Governmental Activities	Business-Type Activities	Total Primary Government	Component Unit
Petty cash	\$ 250	\$ 250	\$ 500	\$ -
Deposits	186,117	990,826	1,176,943	7,692
Bank overdraft shown as				
Liability	(122,085)	-	(122,085)	-
Restricted deposits	769,807	-	769,807	-
Unrestricted investment	702,324	46,571	748,895	-
Restricted Investments	46,581	-	46,581	-
Total	<u>\$1,582,994</u>	<u>\$1,037,647</u>	<u>\$2,620,641</u>	<u>\$7,692</u>

Custodial Credit Risk-Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodian credit risk. As of March 31, 2008, the government's bank balance of deposits was \$1,871,107 of which \$1,474,584 was exposed to custodial credit risk because it was uninsured and uncollateralized. There were \$46,442 of outstanding checks and \$0 outstanding deposits at March 31, 2008.

The component unit's bank balance deposits total \$7,692 of which all was covered by federal depository insurance and \$0- was collateralized. Therefore, the competent unit had no custodial credit risk at March 31, 2008.

Interest rate risk-Investments. Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The Village invests in public investment fund trusts and government cash reserve accounts that have mainly short-term holdings thus reducing the interest rate risk.

VILLAGE OF CONSTANTINE, ST. JOSEPH COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008

**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

At March 31, 2008 the Village had invested \$665,301 in a government cash reserves account that was invested in U.S. Government Agencies with an interest rate of 2.28%. The average maturity of the holdings: 55.7% of fund <30 days; 36.7% of the fund 31-90 days; 6.2% of the fund 91-180 days and 1.4% of the fund 181 + days.

At March 31, 2008 the Village had invested \$130,175 in a public investment fund that invests in Fidelity Institutional Money Market Funds: Treasury Portfolio Class I. These are all short-term holdings. At March 31, 2008 this fund was 86.7% repurchase agreements and 13.3% U.S. Treasury Obligations. Normally this fund invests at least 80% of assets in U.S. Treasury securities and repurchase agreements.

Credit Risk-Investments. Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Both the Fidelity Institutional Money Market Funds: Treasury Portfolio Class I and the government cash reserves fund have a rating of AAAM by Standard & Pours and a rating of Aaa by Moody's. The government cash reserves fund is guaranteed by the United States of America.

Concentration of Credit Risk. The Village places no limit on the amount the Village may invest in any one issuer.

**NOTE 4 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
<b>Due to:</b>	<b>Due from:</b>	
Internal service	General	\$50,000
General	Debt service water	552
General	Debt service sewer 1997	1,054
General	Debt service sewer 2001	2,179
Debt service water	General	3,363
Debt service sewer 1997	General	5,913
Debt service sewer 2001	General	6,224
Debt service sewer 2001	Debt service sewer 1997	28,598
Total		<u>\$97,883</u>
<b>Interfund Transfers</b>		
<u>Transfers To (fund)</u>	<u>Transfers From (fund)</u>	<u>Amount</u>
General fund	Sinking fund	\$13,696
General fund	Capital improvement fund	27,124
Sinking fund	General	5,500
Internal service	General	7,500
Total		<u>\$53,820</u>

In recent years, monies have been transferred to the Sinking and Capital Improvement Funds to accumulate monies for use in purchasing Village assets. The Village in a move to simplify its accounting for funds, decided to consolidate the monies previously held in separate sinking and capital improvement funds into the general fund. The transfer to the Internal Service fund is partial reimbursement for purchase of a police car in a prior year.

VILLAGE OF CONSTANTINE, ST. JOSEPH COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008

NOTE 5 CAPITAL ASSETS

The following summarizes the changes in capital assets for the fiscal year ended March 31, 2008:

**Governmental Activities**

	Balance April 1, 2007	Increases	Decreases	Balance March 31, 2008
Capital assets not being depreciated:				
Land	\$ -	\$ 10,737	\$ -	\$ 10,737
Capital assets being depreciated:				
Buildings	\$ 530,163	\$ 4,549	\$ -	\$ 534,712
Land improvements	-	7,885	-	7,885
Infrastructure	2,034,619	170,641	-	2,205,260
Water plant	618,768	-	-	618,768
Sewer pipeline	3,039,689	-	-	3,039,689
Office equipment	42,370	13,414	400	55,384
Police vehicles	22,570	-	-	22,570
Police equipment	33,364	3,589	7,683	29,270
Fire trucks/ambulances	395,009	-	-	395,009
Fire equipment	329,916	4,680	-	334,596
Internal service fund equipment	477,378	4,198	61,351	420,225
Subtotal	7,523,846	208,956	69,434	7,663,368
Governmental Activities Less Accumulated depreciation for:				
Buildings	286,283	14,206	-	300,489
Infrastructure	739,545	125,473	-	865,018
Water plant	105,190	12,375	-	117,565
Sewer pipeline	446,135	60,794	-	506,929
Office equipment	36,639	4,125	400	40,364
Police vehicles	8,822	2,257	-	11,079
Police equipment	29,628	1,495	7,626	23,497
Fire trucks/ambulances	291,764	17,517	-	309,281
Fire equipment	305,954	9,840	-	315,794
Internal service fund equipment	344,763	26,993	60,177	311,579
Subtotal	2,594,723	275,075	68,203	2,801,595
Net capital assets being depreciated:	\$4,929,123	(\$66,119)	\$ 1,231	\$4,861,773
Total Governmental Activities Capital Assets – Net of Depreciation	\$4,929,123	(\$55,382)	\$ 1,231	\$4,872,510

VILLAGE OF CONSTANTINE, ST. JOSEPH COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008

NOTE 5 CAPITAL ASSETS (CONTINUED)

	Balance April 1, 2007	Increases	Decreases	Balance March 31, 2008
<b>Business-type Activities</b>				
Capital assets not being depreciated:				
Land and land rights	\$ 32,215	\$ -	\$ -	\$ 32,215
Capital assets being depreciated:				
Buildings	1,847,037	\$ -	-	\$1,847,037
Sewage system	624,011	-	-	624,011
Office equipment	8,432	-	-	8,432
Wells, mains, Equipment	<u>906,434</u>	<u>2,015</u>	<u>7,193</u>	<u>901,256</u>
Subtotal	<u>3,385,914</u>	<u>2,015</u>	<u>7,193</u>	<u>3,380,736</u>
Less Accumulated Depreciation for:				
Buildings	1,129,360	37,339	-	\$1,166,699
Sewage system	465,603	12,481	-	478,084
Office equipment	5,903	1,686	-	7,589
Wells, mains, equipment	<u>692,739</u>	<u>16,467</u>	<u>7,193</u>	<u>702,013</u>
Subtotal	<u>2,293,605</u>	<u>67,835</u>	<u>7,193</u>	<u>2,354,385</u>
Net Capital Assets being depreciated	<u>1,092,309</u>	<u>(\$65,820)</u>	<u>-</u>	<u>1,026,351</u>
Total Business-Type Capital Assets – Net of Depreciation	<u>\$1,124,524</u>	<u>(\$65,820)</u>	<u>\$ -</u>	<u>\$1,058,566</u>

VILLAGE OF CONSTANTINE, ST. JOSEPH COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008

**NOTE 5 CAPITAL ASSETS (CONTINUED)**

Depreciation expense as charged to programs of the primary government follows:

Governmental Activities	
Public Safety	\$ 31,109
Public Works	75,295
Unallocated depreciation	141,437

Capital assets held by the Village's internal service funds are charged to the various functions based on the asset usage:

Public Safety	6,809
Public Works	<u>22,425</u>

Total – Governmental Activities column of Statement of Activities \$275,075

Business-type activities	
Sewer	\$ 51,396
Water	<u>16,577</u>

Total – Business -Type Activities column of Statement of Activities \$ 67,973

**Construction Commitments**-The Village applied for a grant to fund installing a floating dock on the St. Joseph River located within Riverside Park. During fiscal year ended March 31, 2008, the Village received \$7,885, fifty percent of the monies awarded in the grant, and \$4,570 in donations. The dock was completed during June 2008.

**Downtown Development Authority** – The Authority has no active construction projects at year-end.

**NOTE 6 LONG-TERM DEBT**

The Downtown Development Authority (DDA), the Village's component unit, had two outstanding loans at March 31, 2008.

In October 2003, the DDA borrowed \$62,000 from FNB Financial for the purchase of a building to house an incubator business center. During the fiscal year ended March 31, 2008 interest only payments totaled \$4,907. This note was renegotiated at March 31, 2008. New terms require monthly payments of \$525, including interest at 6.0%, through March 30, 2010. At that time a balloon payment is due.

The second note for \$50,000 with Myer Ventures, dated October 2003 was used for building restoration expenses. Monthly interest only payments of \$208.34 have been made through March 31, 2008. The note was renegotiated in September 2008. New terms require monthly payments of \$395.40, including interest at 5.0%, through September 2023.

VILLAGE OF CONSTANTINE, ST. JOSEPH COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008

NOTE 6 LONG-TERM DEBT (CONTINUED)

Loan principal and interest obligations of the DDA are as follow:

<u>Year End March 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 3,980	\$ 5,088	\$ 9,068
2010	61,680	5,862	67,542
2011	2,486	2,259	4,745
2012	2,613	2,132	4,745
2013	2,747	1,998	4,745
2014-2018	15,990	7,734	23,724
2019-2023	20,522	3,203	23,725
2024	<u>1,951</u>	<u>24</u>	<u>1,975</u>
TOTAL	<u>\$111,969</u>	<u>\$28,300</u>	<u>\$140,269</u>

The Village issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Village government. County contractual agreements and installment purchase agreements are also general obligations of the Village. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the Village is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Bond and contractual obligation activity can be summarized as follows:

	<u>Beginning Balance</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Business-Type Activities</b>				
Limited Tax General Obligation Bonds				
1997 Water System Improvement- to construct water treatment plant; \$590,000 bonds; 4.8-7.0% interest; maturing April 2017.	\$ 375,000	\$ (30,000)	\$ 345,000	\$ 30,000
1997 Sewage Disposal System- to construct sewage disposal system; \$1,640,000 bonds; 4.2-6.7% interest; maturing April 2017.	1,030,000	(80,000)	950,000	85,000
2001 Sanitary Sewer-to reconstruct sewage disposal system; \$1,510,000 bonds; 4.35-5.1% interest; maturing April 2022.	<u>1,430,000</u>	<u>( 35,000)</u>	<u>1,395,000</u>	<u>45,000</u>
Total Business-Type Activities	<u>\$2,835,000</u>	<u>(\$145,000)</u>	<u>\$2,690,000</u>	<u>\$160,000</u>



VILLAGE OF CONSTANTINE, ST. JOSEPH COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008

**NOTE 6 LONG-TERM DEBT (CONTINUED)**

Annual debt service requirements to maturity for the above obligations are as follows:

<u>Year End March 31</u>	<u>Business-Type</u>	
	<u>Principal</u>	<u>Interest</u>
2009	\$ 160,000	\$132,540
2010	180,000	124,938
2011	190,000	116,283
2012	210,000	106,996
2013	230,000	96,718
2014-2018	1,215,000	297,205
2019-2023	<u>505,000</u>	<u>4,083</u>
Total	<u>\$2,690,000</u>	<u>\$938,763</u>

**NOTE 7 RISK MANAGEMENT**

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Village has purchased commercial insurance for workers' compensation, general liability and medical and participates in the Michigan Municipal League risk pool for claims related to the above coverage. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Risk Management Authority risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority to pay claims up to the member's retention limits, the ultimate liability for those claims remains with the Village.

**NOTE 8 EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS**

The Village established a Money Purchase Plan for substantially all of its employees that have completed one year of service and have attained age 18. The Plan provides for an annual employer contribution of up to \$3,120 based on an amount equal to a percentage of eligible compensation. All eligible employees may make voluntary contributions of up to ten percent (10%) of their compensation to the Plan.

The Village's total payroll during the current fiscal year was \$639,317. The current fiscal year Money Purchase Plan contribution was calculated based on covered payroll of \$470,032 resulting in an employer contribution of \$19,304 or 4.11% of covered payroll.

For the fiscal year ended March 31, 2008, the Village contributed 5% to the pension plan of the Village Manager. Total eligible compensation was \$54,402, resulting in an employer contribution of \$2,720.

## REQUIRED SUPPLEMENTARY INFORMATION

**VILLAGE OF CONSTANTINE, ST. JOSEPH COUNTY, MICHIGAN**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED MARCH 31, 2008**

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance with Amended budget
<b>Resources (inflows)</b>				
Taxes and penalties	\$ 808,778	\$ 808,778	\$ 835,798	\$ 27,020
Licenses and permits	11,625	11,625	10,871	(754)
State grants	2,400	2,400	1,951	(449)
Charges for services	58,157	58,157	46,274	(11,883)
Fines and forfeitures	11,500	11,500	16,221	4,721
Interest	7,500	7,500	19,352	11,852
Other revenue	12,500	12,500	46,829	34,329
Contributions	7,268	7,268	6,854	(414)
Transfers from other funds	23,500	23,500	40,820	17,320
<b>Amounts available for appropriations</b>	<b>943,228</b>	<b>943,228</b>	<b>1,024,970</b>	<b>81,742</b>
<b>Charges to appropriations (outflows)</b>				
General government				
Council/Administration	224,014	224,014	232,915	(8,901)
Village manager	42,989	42,989	34,510	8,479
Treasurer	4,597	4,597	4,533	64
Clerk	4,322	4,322	4,075	247
Contracted services	17,000	17,000	15,190	1,810
Public safety				
Police	397,205	402,205	388,898	13,307
Fire/EMS	116,914	119,914	119,018	896
Building inspector	7,217	7,217	5,144	2,073
Public works				
Buildings and grounds	146,288	154,288	159,853	(5,565)
Contribution to DDA	4,500	8,400	4,500	3,900
Transfers to other funds	500	500	13,000	(12,500)
<b>Total charges to appropriations</b>	<b>965,546</b>	<b>985,446</b>	<b>981,636</b>	<b>3,810</b>
<b>Excess (deficiency) of resources over charges to appropriations</b>	<b>(22,318)</b>	<b>(42,218)</b>	<b>43,334</b>	<b>85,552</b>
<b>Beginning of Year Fund Balance</b>	<b>247,040</b>	<b>247,040</b>	<b>247,040</b>	
<b>End of Year Fund Balance</b>	<b>\$ 224,722</b>	<b>\$ 204,822</b>	<b>\$ 290,374</b>	<b>\$ 85,552</b>

**VILLAGE OF CONSTANTINE, ST. JOSEPH COUNTY, MICHIGAN**

**BUDGETARY COMPARISON SCHEDULE  
MAJOR STREET FUND  
FOR THE YEAR ENDED MARCH 31, 2008**

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance with Amended budget
Resources (inflows)				
State shared revenue - gas and weight tax	\$ 116,431	\$ 116,431	\$ 114,071	\$ (2,360)
Federal grant	-	-	105,000	105,000
County road tax	21,049	21,049	32,605	11,556
Interest income	1,550	1,550	1,515	(35)
Amounts available for appropriations	139,030	139,030	253,191	114,161
Charges to appropriations (outflows)				
Public works				
road construction	199,000	199,000	155,983	43,017
street maintenance	41,457	45,457	37,257	8,200
traffic service	8,542	8,542	7,873	669
snow removal	25,695	25,695	32,456	(6,761)
nonmotorized	1,204	1,204	-	1,204
supervision	36,767	36,767	19,259	17,508
Total charges to appropriations	312,665	316,665	252,828	63,837
Excess (deficiency) of resources over charges to appropriations	(173,635)	(177,635)	363	177,998
Beginning of Year Fund Balance	58,323	58,323	58,323	
End of Year Fund Balance	<u>\$ (115,312)</u>	<u>\$ (119,312)</u>	<u>\$ 58,686</u>	<u>\$ 177,998</u>

VILLAGE OF CONSTANTINE, ST. JOSEPH COUNTY, MICHIGAN

BUDGETARY COMPARISON SCHEDULE  
LOCAL STREET FUND  
FOR THE YEAR ENDED MARCH 31, 2008

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance with Amended budget
Resources (inflows)				
State shared revenue - gas and weight tax	\$ 41,487	\$ 41,487	\$ 42,208	\$ 721
County road tax	34,344	34,344	53,197	18,853
Interest income	1,000	1,000	487	(513)
Amounts available for appropriations	76,831	76,831	95,892	19,061
Charges to appropriations (outflows)				
Public works				
road construction	20,500	20,500	14,658	5,842
street maintenance	35,147	41,347	36,129	5,218
traffic service	7,668	7,668	6,241	1,427
snow removal	21,522	24,522	31,524	(7,002)
nonmotorized	426	426	2,150	(1,724)
supervision	11,932	11,932	17,245	(5,313)
Total charges to appropriations	76,695	85,895	107,947	(7,394)
Excess (deficiency) of resources over charges to appropriations	136	(9,064)	(12,055)	11,667
Beginning of Year Fund Balance	23,510	23,510	23,510	
End of Year Fund Balance	\$ 23,646	\$ 14,446	\$ 11,455	\$ 11,667

## OTHER SUPPLEMENTARY INFORMATION

**VILLAGE OF CONSTANTINE, ST. JOSEPH COUNTY, MICHIGAN**  
**COMBINING BALANCE SHEET OF NONMAJOR GOVERNMENTAL FUNDS**  
**March 31, 2008**

	Debt-Service Water Fund	Debt-service Sewer 2001 Fund	Capital Improvements Fund	Sinking Fund
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Taxes receivable	2,188	4,048	-	-
Due from other funds	3,363	34,822	-	-
Cash restricted by bond indentures	104,693	29,662	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 110,244</u>	<u>\$ 68,532</u>	<u>\$ -</u>	<u>\$ -</u>
<b>LIABILITIES</b>				
Due to other funds	\$ 552	\$ 2,180	\$ -	\$ -
	<hr/>	<hr/>	<hr/>	<hr/>
<b>FUND BALANCE</b>				
Reserved	\$ 109,692	\$ 66,352	\$ -	\$ -
Unreserved	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Equity	<u>109,692</u>	<u>66,352</u>	<u>-</u>	<u>-</u>
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total Liabilities and Fund Equity</b>	<u>\$ 110,244</u>	<u>\$ 68,532</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements

Forfeiture Fund	4th of July Fund	Harvest Fund	Total Nonmajor Governmental Funds
\$ 1,830	\$ 588	\$ 1,903	\$ 4,321
-	-	-	6,236
-	-	-	38,185
-	-	-	134,355
<u>\$ 1,830</u>	<u>\$ 588</u>	<u>\$ 1,903</u>	<u>\$ 183,097</u>
\$ -	\$ -	\$ -	\$ 2,732
\$ -	\$ -	\$ -	\$ 176,044
1,830	588	1,903	4,321
<u>1,830</u>	<u>588</u>	<u>1,903</u>	<u>180,365</u>
<u>\$ 1,830</u>	<u>\$ 588</u>	<u>\$ 1,903</u>	<u>\$ 183,097</u>



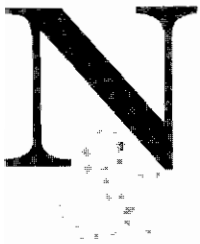
VILLAGE OF CONSTANTINE, ST. JOSEPH COUNTY, MICHIGAN

COMBINED STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED MARCH 31, 2008

	Debt-Service Water Fund	Debt-service Sewer 2001 Fund	Capital Improvements Fund	Sinking Fund
<b>Revenues</b>				
Taxes and Penalties	\$ 59,303	109,713	\$ -	\$ -
Interest income	4,685	3,521	-	-
Contributions from the public	-	-	-	-
<b>Total Revenues</b>	<b>63,988</b>	<b>113,234</b>	<b>-</b>	<b>-</b>
<b>Expenditures</b>				
Current				
General government	-	-	-	-
Capital outlay	-	-	-	-
Debt Service				
Paying agent fees	300	300	-	-
Principal payments	30,000	35,000	-	-
Interest payments	21,285	67,348	-	-
<b>Total Expenditures</b>	<b>51,585</b>	<b>102,648</b>	<b>-</b>	<b>-</b>
<b>Excess (deficiency) of Revenues Over Expenditures</b>	<b>12,403</b>	<b>10,586</b>	<b>-</b>	<b>-</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	-	5,500
Transfers out	-	-	(27,124)	(13,696)
<b>Total Other Financing Sources(Uses)</b>	<b>-</b>	<b>-</b>	<b>(27,124)</b>	<b>(8,196)</b>
<b>Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses</b>	<b>12,403</b>	<b>10,586</b>	<b>(27,124)</b>	<b>(8,196)</b>
<b>Fund Balance - April 1, 2007</b>	<b>97,289</b>	<b>55,766</b>	<b>27,124</b>	<b>8,196</b>
<b>Fund Balance - March 31, 2008</b>	<b>\$ 109,692</b>	<b>\$ 66,352</b>	<b>\$ -</b>	<b>\$ -</b>

See accompanying notes to financial statements

Forfeiture Fund	4th of July Fund	Harvest Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 169,016
-	-	12	8,218
-	7,095	1,506	8,601
-	7,095	1,518	185,835
1,099	9,481	975	11,555
2,339	-	-	2,339
-	-	-	600
-	-	-	65,000
-	-	-	88,633
3,438	9,481	975	168,127
(3,438)	(2,386)	543	17,708
-	-	-	5,500
-	-	-	(40,820)
-	-	-	(35,320)
(3,438)	(2,386)	543	(17,612)
5,268	2,974	1,360	197,977
<u>\$ 1,830</u>	<u>\$ 588</u>	<u>\$ 1,903</u>	<u>\$ 180,365</u>



**Norman & Paulsen, P.C.**

*Certified Public Accountants*

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**To the Village Council and Village Manager of the  
Village of Constantine**

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the component unit, each major fund, and the aggregate remaining fund information of the Village of Constantine as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Village of Constantine's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Constantine's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village of Constantine's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

**Financial Statement Preparation Controls**

The Village does not have procedures in place to prepare financial statements in accordance with U.S. generally accepted accounting principles, including required financial statement disclosures. The Village does have procedures in place to convert the cash basis trial balance to accrual basis.

We have been contracted by the Village to prepare the financial statements and related disclosures based on information provided by the Village's management. This service is allowed under the AICPA ethics guidelines and may be the most efficient and effective method for preparing the Village's financial statements. The Village's management have reviewed and taken responsibility for these financial statements.

Donald L. Paulsen, CPA  
Patrick J. Monahan, CPA  
Bruce S. A. Gosling, CPA  
Michael R. Wilson, CPA  
Rick L. Strawser, CPA  
Jerrold T. Norman (1941-1982)

### **Budget Controls**

For the year ended March 31, 2008 the budget adopted by the Village Council was in violation of Public Act 621 of 1978 as amended. Actual expenditures exceeded appropriations in several categories. We recommend the Village Council continually monitor the adopted budget and amend as needed.

This communication is intended solely for the information and use of management, the Village Council, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

*Norman & Paulsen*

Norman & Paulsen, P.C.

Three Rivers, Michigan  
November 21, 2008